Texas and Oklahoma Energy Banks

Net Income
Year Ended Dec. 31

	1985	1984	1983	1982
Texas Commerce Bancshares	$ 52.9M $1.62	$183M $5.64	177M $5.50	170M $5.34
RepublicBank Corporation	140.1M $4.60	137.3M $4.55	130.2M $4.50	— $5.01
BancTEXAS Group, Inc.	(35.3M) ($1.59)	($6.5M) ($0.40)	$3.6M $0.08	16.1M $0.65
Allied Bancshares, Inc.	122.0M $2.95	118.7M $2.89	103.2M $2.53	88.2M $2.18
BancOklahomaCorp.	$6.15M $0.68	20.0M $3.26	15.1M $3.33	12.6M $2.80
InterFirst Corporation	61.1M $0.91	117.9M $1.72	(171.6M) ($2.82)	206.8M $3.80
MCorp	132.4M $3.02	107.7M $3.51	100.4M $3.96	— —
First Oklahoma	(42M) ($4.31)	(20.7M) ($2.15)	(43.5M) (4.50)	18.5M $1.87
First City Bancorp	41.8M $0.75	81.0M $1.97	49.7M $1.23	120.2M $3.52

	Energy Loans			Real Estate Loans		
	1985	1984	1983	1985	1984	1983
Texas Commerce Bancshares	$2.4B	$2.5B	—	—	$3.9B	$3.0B
RepublicBank Corporation	$1.9B	$1.8B	$1.6B	$4.9B	$4.8B	$3.7B
BancTEXAS Group, Inc.	91.6M	126.7M	128.2M	—	452.0M	446.2M
Allied Bancshares, Inc.	636.0M	722.0M	—	$2.6B	$2.3B	$1.9B
BancOklahoma Corp.	—	80.1M	—	—	666.1M	443.6M
InterFirst Corporation	$2.4B	$2.7B	$3.6B	—	$5.4B	$4.5B
MCorp	$1.7B	$1.4B	$1.0B	$5.2B	$4.3B	$2.1B
First Oklahoma	—	368.8M	462.4M	—	344.5M	352.6M
First City Bancorp.	—	$2.6B	—	$3.4B	—	—

Nonperforming assets (end of year)

	1985	1984	1983	1982
Texas Commerce Bancshares	654.0M	367.0M	251.0M	178.0M
energy credits	176.0M	167.0M	171.0M	44.0M
real estate credits	341.0M	110.0M	28.0M	37.0M
RepublicBank Corporation	541.0M	434.1M	323.2M	246.0M
energy credits*	79.0M	109.3M	111.0M	28.6M
real estate credits*	101.0M	65.7M	55.5M	10.8M
BancTEXAS Group, Inc.	64.3.0M	46.5M	43.7M	30.8M
energy credits	—	17.5M	—	—
real estate credits	—	14.0M	—	—
Allied Bancshares, Inc.	342.3M	221.6M	168.0M	120.1M
energy credits	145.7M	146.7M	—	—
real estate credits	130.0M	50.4M	—	—
BancOklahoma Corp.	115.4M	112.5M	46.8M	16.2M
energy credits	—	44.0M	—	—
real estate credits	—	25.3M	$6.6M	4.8M
InterFirst Corporation	742.0M	763.0M	716.0M	447.0M
energy credits	—	453.0M	458.0M	—
real estate credits	—	128.0M	81.0M	—
MCorp	534.0M	441.0M	254.0M	163.0M
energy credits	159.0M	173.0M	124.0M	40.0M
real estate credits	94.0M	43.0M	19.0M	12.0M
First Oklahoma ***	127.2M	179.3M	164.0M	87.3M
energy credits	—	—	—	—
real estate credits	—	—	—	—
First City Bancorp	563.1M	439.5M	377.6M	290.9M
energy credits	—	239.8M	255.2M	149.7M
real estate credits	—	77.6M	24.3M	29.3M

Loan Chargeoffs (End of Year)

1985 1984 1983 1982				
Texas Commerce Bancshares**	186.1M	61.0M	45.0M	32.0M
energy credits	—	31.0M	11.0M	16.0M
real estate credits	29.7M	1.0M	none	none
RepublicBank Corporation	85.7M	99.8M	106.8M	42.9M
energy credits	27.7M	—	—	—
real estate credits	$5.5M	$2.9M	$2.6M	$ 0.6M
BancTEXAS Group, Inc.	32.2M	24.9M	20.0M	$ $9.5M
energy credits	12.0M	—	—	—
real estate credits	$4.8M	930.0T	437.0T	127.0T
Allied Bancshares, Inc.	89.3M	40.5M	78.3M	16.1M
energy credits	33.7M	11.7M	47.2M	—
real estate credits	$8.8M	301.0T	251.0T	564.0T
BancOklahoma Corp.	35.9M	24.5M	$7.7M	$3.3M
energy credits	—	11.1M	—	—
real estate credits	—	885.0T	14.0T	251.0T
InterFirst Corporation	187.7M	218.0M	443.0M	82.0M
energy credits	—	140.0M	313.0M	—
real estate credits	—	$8.6M	14.0M	2.0M
MCorp	148.0M	114.6M	75.0M	34.2M
energy credits	70.0M	45.7M	16.4M	$7.7M
real estate credits	15.0M	$9.1M	$1.7M	953.0T
First Oklahoma	—	59.1M	66.5M	20.2M
energy credits	—	38.9M	30.5M	14.3M
real estate credits	—	$8.4M	$1.3M	none
First City Bancorp	260.6M	164.2	126.7M	43.2M
energy credits	—	—	—	—
real estate credits		$4.1M	$0.9M	$0.4M

Loan-Loss Allowance (End of Year)

	1985	1984	1983	1982
Texas Commerce Bancshares	281.0M	151.0M	129.0M	115.0M
energy credits	—	—	—	—
real estate credits	—	4.0M	2.0M	2.0M
RepublicBank Corporation	225.0M	192.5M	139.5M	119.6M
energy credits	—	—	—	—
real estate credits	—	24.2M	18.4M	13.1M
BancTEXAS Group, Inc.	33.9M	22.6M	20.1M	15.9M
energy credits	—	—	—	—
real estate credits	—	$5.0M	$2.2M	$1.6M
Allied Bancshares, Inc.	110.0M	83.3M	61.0M	66.1M
energy credits	—	—	—	—
real estate credits	—	—	—	—
BancOklahoma Corp.	33.1M	32.9M	19.2M	10.3M
energy credits	—	—	—	—
real estate credits	—	$4.9M	$2.9M	300.0T
InterFirst Corporation	255.0M	238.0M	283.0M	152.0M
energy credits	—	—	—	—
real estate credits	—	—	—	—
MCorp	155.0M	175.2M	97.1M	86.2M
energy credits	—	—	—	—
real estate credits	—	$6.6M	$3.0M	$3.6M
First Oklahoma	—	56.5M	54.8M	30.0M
energy credits	—	25.1M	24.2M	—
real estate credits	—	$4.6M	$6.1M	$1.1M
First City Bancorp	160.8M	216.9M	209.9M	111.7M
energy credits	—	—	—	—
real estate credits	—	—	—	—

*Non-accruing loans only. **Net chargeoffs. ***Nonperforming loans only.

Energy Lenders in Texas, Oklahoma Assess Effect of Plummeting Oil Prices

Continued from Page 1

barrel on Thursday.

Some analysts say the long-term prospects for crude prices are not encouraging. Henry L. Woytyla, an energy analyst with Rosenkrantz Lyon & Ross, said that under current conditions and a 2% increase in oil consumption, it would take 10 years to absorb the oversupply of crude. Moreover, Mr. Woytyla said $15 a barrel for crude is near the long-term average price.

Contracts Offer Protection

The recent free-fall in crude prices has bankers on edge and their computers running to constantly monitor the impact of falling prices. Some energy lenders have managed to stay protected despite the recent oil price declines. Some of their loans are based on the contract price of oil the borrower agreed to before the precipitous drop in oil prices. If, for example, an oil producer agreed late last year to sell oil at $24 per barrel, the producer is getting a higher price and is thus better able to repay his debts.

But that situation is temporary. "There's no question that contract prices will follow the spot and futures prices," said Frank Anderson, a banking analyst with Dallas-based Weber, Hall, Sales & Associates Inc.

And there is another bugaboo. Some contracts allow prices to be adjusted to reflect market conditions. Contracts can be cut with a day's notice, and more companies are abrogating contracts, said J.P. Bryan, president of Schroder Torch Energy Advisors Inc., a Dallas-based firm that manages $400 million in oil and gas properties for institutions.

The latest round of price declines is unnerving to all types of energy lenders. For those banks with production and exploration loans secured by oil reserves, the collateral value of the reserves simply evaporates with each additional decline. "I wouldn't rush into a major Texas bank and ask for a loan based on reserves," said Mr. Bryan.

Last week, Comptroller of the Currency Robert L. Clarke said he might order more examinations of Texas banks if conditions worsen.

Loans with oil or gas reserves were long considered the safest energy lending that could be done, said Mr. Bryan. That is no longer the case. Banks "never thought that they would have to write off" reserve-based loans, he said. But now, they probably will.

Especially hard-hit are companies in the supply, service, and drilling sectors of the energy business. With no or little exploration and drilling work under way because of the lower crude prices, those companies cannot generate the cash flow needed to repay their bank loans.

Indeed, fewer oil rigs are operating as a result of weakening crude prices. Hughes Tool Co., which tracks the number of operating rigs, counted 1,496 active rigs last week. That is 98 fewer than the previous week, and 31% lower than the same time last year. The total last week was the lowest since May 1976.

In late January, Global Marine Inc., the Houston-based company that is one of the largest publicly held drilling firms, filed for Chapter 11 bankruptcy. It is estimated that $750 million of Global's $1.1 billion of long-term debt is secured primarily by the company's 35 oil rigs.

Global's action has sparked fears that other drilling firms also might seek protection from their creditors by filing for bankruptcy.

Finally, big, money center banks with outstanding loans to Mexico, a major oil-exporting country, face further problems. For energy banks that have loans to Mexico, their problems are compounded.

Mexico relies on oil exports to repay much of its staggering debt. As worldwide crude prices fall, Mexico says it is struggling to make $10 billion in interest payments on its $97 billion foreign debt. Mexico had intended to raise the $10 billion partially through oil exports.

Clearly, bankers have cause for worry. And they are nervous. As crude prices decline and bank balance sheets deteriorate, some banking companies are delaying the release of data pertaining to their energy portfolio. Some banks say data will not be released until their 1985 annual reports are distributed in March or April. Even some analysts grumble about the delay by some banks.

I wouldn't rush into a major Texas bank and ask for a loan based on reserves.

— J.P. Bryan, president of Schroder Torch Energy Advisors Inc.

When crude prices do settle, analysts agree, banks almost certainly will end up with more energy loans written off or put on a nonaccural basis and will be stashing away a chunk of smaller earnings for possible loan losses. If prices settle at $20 a barrel for crude, energy banks would be able to reduce their level of nonperforming loans, said Georgia Head, bank analyst with Dallas-based Rauscher Pierce Refsnes Inc. But at $15 a barrel, she said, the recovery time for banks will be lengthened.

It all comes at a time when banks are struggling from previous losses and adjustments on their energy and energy-related portfolios. At yearend 1984, the last year for which complete data is available, seven Texas banks had an aggregate total of $2.31 billion in nonperforming assets. Of that amount, $1.3 billion were energy loans and energy-related credits. At yearend 1985, the same banks had an aggregate total of $3.44 billion in nonperforming assets. All but one of the banking companies, InterFirst Corp., had a higher level of nonperforming assets at the end of 1985 compared with 1984. And the four banks that categorized their nonperforming assets reported an aggregate total of $480.7 million in nonperforming energy credits.

The same seven Texas banks had an aggregate total of $723 million in loan chargeoffs in 1984, of which $239.5 million were energy loans or energy-related credits. In 1985, as the energy sector weakened, the banks wrote off an aggregate of $989.6 million in loans. Four of the banks that broke down their loan chargeoffs according to types of credits reported an aggregate total of $143.4 million in energy credit writeoffs.

Banks in Oklahoma May Be Hit Harder

Energy lending banks in Oklahoma eventually may be harder hit than the Texas banks, analysts believe. For example, the $2.2 billion-asset First Oklahoma Bancorp. in Oklahoma City last week reported its third consecutive annual loss. The banking company lost $42 million in 1985, or $4.31 a share. During the last three years, First Oklahoma lost a total of $106.2 million.

BancOklahoma Corp., the $3.07 billion-asset holding company in Tulsa, saw its earnings shrink by more than a third last year, to $6.15 million, from $20 million in 1984.

➡ Oil Prices: Page 29

Falling Oil Prices Aggravate Real Estate Headaches at Texas Banks

Continued from Page 28

To offset some of the problems, Texas and Oklahoma bank holding companies this year are likely to look for one-time gains to boost earnings, analysts believe. "We're likely to see a lot of that," said Ms. Head of Rauscher Pierce Refsnes Inc.

The sale of a banking company's headquarters building is used frequently as a way to boost income during lean times. Dallas-based InterFirst Corp. in September 1984 sold its interest in the InterFirst Two Building. The sale accounted for $70 million of the total net income of $117.9 million for the year.

Another Dallas banking company, BancTexas Group Inc., sold its Tyler, Tex., bank, which will result in a gain of approximately $3 million to first-quarter 1986 earnings. The sale of two other subsidiary banks is pending. BancTexas Group, which lost $35.3 million in 1985, said much of its problems are related to the worsening energy sector.

But banks can pare only so many assets to boost earnings. "At some point in time, you run out of asset-sale gains and can't continue without impairing the overall strength of the company," said Sandra Flannigan, an analyst at Paine Webber Inc. in Houston.

This year also will continue a pattern of cost containment and expense cutting already implemented by several big Texas banks, including InterFirst and Allied Bancshares Inc., Houston.

Even more drastic steps are under way to cope with slack energy-loan demand and increasing loan losses. BancTexas has hired the investment firm of Bear, Stearns & Co. to study ways of raising capital. Among the options are the sale of additional subsidiary banks, the sale of securities, and consideration of a merger partner for the company.

Dividend cuts are also possible for some banking companies. BancOklahoma cut its quarterly dividend to 10 cents from 22½ cents when the company announced its earnings last month.

When crude prices do settle, analysts agree, banks almost certainly will end up with more energy loans written off or put on a nonaccural basis and will be stashing away a chunk of smaller earnings for possible loan losses.

Regulators especially are keeping a close watch to make sure that dividend payments come from operating income.

Real Estate Loans Pose Threat

Energy loans are not the only worry for Texas banks. Falling crude and gas prices are exacerbating existing real estate problems, particularly in Houston. About one-third of Houston's economy is tied to the energy industry. During the boom days, oil companies expanded and new companies opened their doors. More office towers were constructed to accommodate them, and residential units were built to house the employees.

In both 1983 and 1984, Texas Commerce Bancshares Inc., Houston, had less than $1 million in net real estate loan losses. In 1985, real estate loan losses soared to about $29.7 million. Total net chargeoffs were $186 million for the year.

At the end of 1985, Texas Commerce's nonperforming real estate loans totaled $341 million, almost double the company's nonperforming energy credits of $176 million.

A considerable increase in the company's loan-loss provision caused Texas Commerce to post a $28.8 million loss in 1985's fourth quarter, the first quarterly loss in the company's history. At yearend 1985, Texas Commerce's loan-loss allowance was $281 million, up from $151 million at the end of 1984.

At Allied Bancshares, another Houston-based bank holding company, nonperforming real estate loans increased to $130 million at yearend 1985 from $50.4 million at the end of 1984. Allied, which wrote off a minuscule $301,000 in real estate loans in 1984, charged off $8.8 million in such loans in 1985.

Allied also charged off $33.7 million in energy loans in 1985, triple the $11.7 million charged off in 1984. Total loan chargeoffs for 1985 amounted to $89.3 million, up from $40.5 million the previous year.

Among the seven largest Texas banks in 1984, again the last year for which complete data is available, nonperforming real estate loans amounted to $488.7 million of the banks' aggregate total of $2.3 billion in nonperforming loans. The same banks wrote off $63.8 million in real estate loans in 1984.

Real Estate Research Corp., a Chicago real estate consulting firm, identifies Houston and Dallas as two of the most overbuilt real estate markets. Particularly overbuilt in those two cities, according to the consulting firm, is commercial real estate space. In June 1982, Houston had a downtown office vacancy rate of 2.3%. Three years later, in June 1985, the vacancy rate was 20.2%. For Dallas, the vacancy rate was 3.9% in June 1982 and 18.4% three years later.

"Real estate won't be the debacle that energy has been," said Mr. Anderson, the analyst at Weber, Hall, Sale & Associates Inc. Still, he and other analysts agree that real estate loan problems will force banks to take additional writeoffs and increases in provisions for potential real estate loan losses.

The continued problems in the energy sector are beginning to ripple throughout Texas and its economy. Loan growth at many banks is sluggish. Greg A. Oveland, president and chief executive officer at the $114 million-asset Kelly Field National Bank in San Antonio, said loans increased 32% last year. This year, Mr. Oveland said, he will be "lucky" if loans increase by 12%. Because of the slack loan demand, Mr. Oveland said he recently was asked by his board of directors to pare back the bank's budget. ■

H. Brent Beesley Named Head of Farm Credit Corp.

DENVER — H. Brent Beesley has been named president and chief executive officer of the Farm Credit Corporation of America, effective immediately.

Mr. Beesley, 40, succeeds Alton B. Cook, interim president of the corporation since its inception and chartering in July 1985. The corporation serves as the central policy-making and service organization for the $80 billion Farm Credit System.

Mr. Beesley served as director of the Federal Savings and Loan Insurance Corp. during the turbulent period of 1981-83. Most recently, he was chairman of First Charter Savings Bank in St. George, Utah.

"The appointment of Mr. Beesley as president and CEO is the culmination of a nationwide search that began almost eight months ago," said Grant T. Lucas, chairman of the corporation's board, following a special board meeting Thursday. "His training and experience in banking, government, law, economics, and agriculture make him uniquely qualified for this critical position in the Farm Credit System." ■

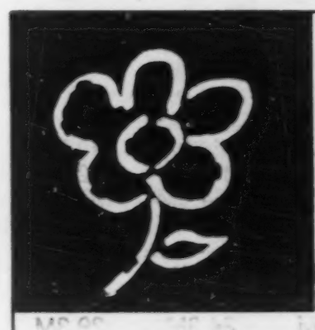
Tennessee Banking Firm Reorganizes Management

NASHVILLE, Tenn. — In a reorganization of the executive management at the First American Corp., Owen G. Shell Jr. has been named president and chief operating officer of the holding company and F.G. Cave Jr. moves up to vice chairman.

Andrew G. Higgins was elected president and chief executive officer of the holding company's principal subsidiary, the First American National Bank of Nashville, succeeding Mr. Shell.

Robert E. McNeilly Jr., a member of the corporate board, was elected board chairman of the Nashville bank, succeeding Kenneth L. Roberts, who remains chairman and chief executive officer of the parent corporation.

The First American Corp. has banks in all major cities in Tennessee



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Quote

We believe people do what is inspected, not what's expected.

Tricia Falkunder, executive vice president of Financial Shares Corp., a training services company, remarking on her company's monthly reviews of the sales progress of bank personnel. [11]

Unquote

Comment

Banks Are Swimming in Loans

By SANFORD ROSE

How would most bankers react to the assertion that the loan-to-deposit ratio reached its highest point in a decade last year? Certainly, bankers in the money centers, as well as some in the Southwest and South Central parts of the country, would manifest a certain amount of surprise and skepticism. After all, loan demand in these areas is undeniably weak, if not entirely flat, and, besides, it is widely thought that bankers everywhere are becoming much choosier about whom they lend money to.

Nevertheless, the assertion may well be correct. At least it is correct if we extrapolate the results of the latest annual survey of a representative group of small and regional institutions conducted by Olson Research Associates of Greenbelt, Md.

These 100 banks, which account for 3.5% to 4% of the total assets of the banking industry, lent absolutely and relatively more in 1985 than in any year of the past decade. The loan-to-deposit ratio at such banks climbed to an astounding 75.9%, up early three percentage

Comment: Page 4

International Loans of Japanese Banks Surge on Strength of Payments Surplus

By M.S. MENDELSOHN

LONDON — "The big difference between the oil exporters and ourselves is that they recycled their surpluses in the 1970s through other people's banks, and we are doing it through our own."

The speaker was a Japanese banker in London the other day, offering his explanation for the recent surge of Japanese banks to the top of the international lending league.

That worldwide phenomenon has been particularly pronounced here. In the past decade, Japanese banks have increased their share of foreign currency lending out of London from 14% to 32% of the total. Most of that increase in market share has been achieved in the past five years, and most of it at the expense of American banks, whose share of foreign currency lending out of London has fallen from almost 40% of the total to just above 15% in the past 10 years.

The sharp decline in market share experienced by American banks conducting international lending out of London is explained partly by the success of the international banking facilities, or IBFs, created in 1981. IBFs allow banks to conduct Eurobusiness from offices in the United States itself on the same favorable terms as Eurobusiness conducted from foreign centers.

In the past five years, the assets of IBFs have grown to about $200 billion, representing a massive repatriation of international banking business to the

Japan: Page 12

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Supreme Court Agrees to Hear Brokerage Case

Do Banks' Far-Flung Offices Violate Interstate Restrictions?

By BARTLETT NAYLOR and NINA EASTON

WASHINGTON — The Supreme Court Monday agreed to decide whether bank-owned discount brokerage operations that have interstate branches violate restrictions on interstate banking.

Discount Brokers

The court's ruling may guide the interstate expansion of bank services in general.

The immediate question in the case, Comptroller of the Currency vs. Securities Industry Association, is whether brokerage firms that are subsidiaries of a bank — as opposed to a bank holding company — are permitted to operate in branches divorced from the parent bank.

The case originally pitted the Securities Industry Association, a trade group representing Wall Street securities houses, against Security Pacific National Bank. The Los Angeles-based bank operates 20 brokerage offices, including 18 in nine states where it has no bank branches. In the most recent deci-

Supreme Court: Page 20

Funds, Brokerages Gain in IRA Assets, Trade Group Finds

By PHILIP T. SUDO

NEW YORK — Mutual funds and brokerage firms both doubled their IRA assets last year as they carved into the market share held by depository institutions, the Investment Company Institute said on Monday.

IRA WATCH

Figures released by ICI, a Washington-based mutual fund trade group, showed that individual retirement account assets in mutual funds rose to $31.6 billion at yearend 1985, from $16.5 billion at the same point in 1984. The brokerage industry (as measured by self-directed accounts) shot up to $29.4 billion, from $14.6 billion a year earlier.

In total, IRA assets increased to $199.8 billion, up 52.3% from $132.1 billion at Dec. 31, 1984.

Commercial banks and savings and loan associations still held the largest percentage of assets, though each lost market share. At yearend '85, banks held $51.5 billion (25.8% of the market), while savings and loan associations housed $44.5 billion (22.3%).

Those figures compare with $37.2 billion (28.2%) at yearend '84 for

IRA Watch: Page 22

Texas Bank Failure Is 16th in Nation in '86

Washington Bureau

WASHINGTON — The Comptroller of the Currency closed the First National Bank of Gorman, Gorman, Tex., last week and declared the Federal Deposit Insurance Corp. receiver.

The bank's deposit liabilities and certain of its assets were acquired by Citizens State Bank, a newly chartered subsidiary of Mid-Texas Bancshares Inc., Ft. Worth, and it reopened on Friday as Citizens State. Chartered in 1904, First National Bank of Gorman had deposits of about $13 million. The Comptroller said it had experienced substantial deterioration in the quality of its loan portfolio, which it was unable to remedy before the bank exhausted its capital.

The Gorman institution was the second FDIC-insured bank in Texas to fail this year and 16th in the nation. ■

Montana . . .

Continued from Page 8

nett said.

"Foreclosures are almost universally being met with bad faith lawsuits," he said, "and the trial lawyers are very good and very persuasive."

In addition, the term "bad faith" is not defined in the law. "What is bad faith?" Mr. Bennett asked. "Whatever the jury says it is."

Mr. Cadby said, "Some farmer will sue the bank because it advised him to sell his cattle. Afterwards the price goes up and he says he got bad advice. Some banks are being sued because they failed to live up to their line of credit. Some are being sued because they loaned entrepreneurs too much money. They argue that if they hadn't gotten that much money, they wouldn't have gotten into trouble."

The effect has been that "it is difficult now to get a loan," Mr. Cadby said. "Unless you can show that you have substantial collateral, you won't get a loan at all."

According to Mr. Bennett, more than six insurance companies have quit underwriting liability policies in the state, and he expects more to follow.

"We have a liability crisis in this country," he said, "but Montana has probably gone further than some states as far as banks are concerned. Recoveries are being made on theories that would have been rejected in the past, and the verdicts are probably larger and more frequent than elsewhere."

The need for a special session became apparent after a recent ruling by the state supreme court, which held that a state law setting a $300,000 liability limit on local government was "discriminatory and unconstitutional."

In order to institute a liability ceiling, the Legislature must have a two-thirds voter approval of a constitutional referendum that would grant the authority to set a cap. The language of the referendum will be developed during the state's special session.

Forrest H. Boles, president of the Montana State Chamber of Commerce, said the referendum will likely combine a limit on both local government and private sector liabilities.

Mr. Boles, who is also the acting chairman for the liability coalition, said the general business community has rallied around the issue and will press for "several significant pieces of legislation aimed toward reform."

Mr. Cadby predicted the referendum will pass when voted on in November. "The voters realize what damage these awards are doing to our economy," he said.

In the meantime, the Montana Bankers Association will form its own insurance agency in an effort to provide liability insurance for banks that cannot now get it. ■

Estimated Value of IRA Plans

In billions of dollars and percent of market share

	Yearend 1984 ($ Bil.)	(%)	Yearend 1985 ($ Bil.)	(%)
Commercial Banks	37.2	28.2	51.5	25.8
Savings and Loans	34.1	25.8	44.5	22.3
Mutual Funds	16.5	12.5	31.6	15.8
Self Directed	14.6	11.1	29.4	14.7
Life Insurance Companies	12.6	9.5	16.9	8.5
Credit Unions	7.8	5.9	13.9	6.9
Mutual Savings Banks	9.3	7.0	11.9	6.0
Total IRA Dollar Value	**132.1**		**199.8**	

Mutual Fund IRAs by Investment Objective

Investment Objective	Percent of Assets 12/31/85
Money Market	20.5
Growth	13.7
Growth and Income	12.8
Aggressive Growth	11.9
Corporate Bond	11.4
Government Income	10.8
GNMA	7.0
International	5.9
Option/Income	2.6
Income	2.0
Precious Metals	0.8
Balanced	0.6

Source: Investment Company Institute

Funds, Brokerages Gain in IRA Assets

Continued from Page 1

banks, and $34.1 billion (25.8%) for savings and loans. In contrast, mutual funds increased their market share to 15.8% from 12.5%, and brokerage firms increased theirs to 14.7% from 11.1%.

The trend, which was not unexpected, is likely to continue through the 1986 IRA selling season. Many IRAs have now topped $10,000, leading taxpayers to view the account as an investment, rather than just a tax deduction. In addition, rates on certificates of deposit are down from past levels, which may lead investors to seek diversification and better returns elsewhere.

Alfred P. Johnson, ICI's chief economist, noted that "Americans are becoming good, conscientious consumers with their IRA money. They're shopping around for their IRAs as cautiously as they shop for microwave ovens or new cars. If CD rates aren't up to their expectations, they look elsewhere."

Regardless of where it's housed though, most IRA money is still invested conservatively. ICI data showed that 20.5% of mutual fund IRA assets were invested in money market funds. The next most popular funds, according to investment objectives, were growth (13.7%), growth and income (12.8%), aggressive growth (11.9%), corporate bonds (11.4%), and government income (10.8%).

■

Thousands of taxpayers are being told to prove they made IRA contributions claimed on their 1983 income tax returns — or send the Internal Revenue Service more money.

The IRS says 1983 deductions for IRAs are being disallowed in some cases because there is no proof that contributions to the accounts were ever made. The agency says its computers could not match the taxpayers' records with IRA records submitted by financial institutions.

In February, an IRS service center in Kansas City sent out 80,000 letters notifying taxpayers in Illinois, Missouri, Wisconsin, and Iowa of discrepancies. The notices ask taxpayers either to submit records backing up the contested figures or send more money to the IRS.

"We don't have a record of the IRA contributions and we are trying to learn why we don't," said Steve Mongeluzzo, a spokesman for the IRS in Chicago.

IRS officials said that the problem appears to be the result of a computer snafu but added that the source of the trouble is unclear. "I don't think it is fair to assume it is our problem," Mr. Mongeluzzo said.

As a result, taxpayers have been calling banks and other financial institutions, asking them to tell the IRS that the contributions really were made.

An official at the First National Bank of Chicago, for example, said the bank had received about 100 calls from customers in the past week.

"We've informed our customers and the IRS that First Chicago has complied with all IRA requirements, and we're continuing our efforts to clear the IRS' apparent confusion regarding 1983 reporting," the official said.

IRS computers are programmed to match figures on individual tax returns with corroborating documents submitted by financial institutions and employers. The program will pinpoint taxpayers who underreport taxable income by not listing dividend or interest income, or claim IRA contributions they never made.

But any error on the taxpayer's return or corroborating documents, such as an incorrect Social Security number, will prevent a match, thereby indicating the taxpayer has underreported income, the IRS said.

Ted Harris, a private attorney and accountant in New York, said he has heard several complaints about the mix-up from his clients.

"The problem is that we're supposed to verify the payments," he said. "It's a pain in the back, having to locate the receipt, photocopy it, and send it to the IRS."

He added that the cost incurred by the IRS in mailing and extra paperwork "adds up each time, and it ultimately costs us, the taxpayers." ■

Commercial . . .

Continued from Page 2

added to that.

"We feel it's fairly important that we pick up a billion dollars in retail deposits over the next 18 months."

Commercial Federal currently has about $1.6 billion in deposits.

Andrew V. Vindigni, an analyst with E.F. Hutton & Co., said Commercial Federal has several advantages in its interstate push, including excess computer capacity and strong management.

Commercial Federal is also in a strong financial position, Mr. Vindigni said. "If [interest] rates decline, there is tremendous upside potential," he said. And if rates increase, "they're fairly well matched on a one-year basis. They've positioned themselves weil."

In addition, the company has "a lot of unrealized value," he said. "Substantial unrealized gains in the firm's mortgage-backed securities portfolio mean that stated book value is materially understated in the current interest rate environment."

Mr. Vindigni estimates Commercial Federal's "real" book value at about $35 a share, compared with its stated book value of about $22 and its current stock price of about $27. The company converted to stock ownership in December 1984 at an initial offering price of $8.50 a share.

Mr. Vindigni expects the company's expansion to include Iowa if and when it is permissible. "Expansion into Des Moines would be a natural extension of Commercial Federal's Omaha operation, and the thrift's recognition in Nebraska should allow it to penetrate that market."

Although Iowa is the kind of "heavy farm state" Mr. Fitzgerald said the company would avoid, Mr. Vindigni said that Des Moines and Omaha are very similar cities. ■

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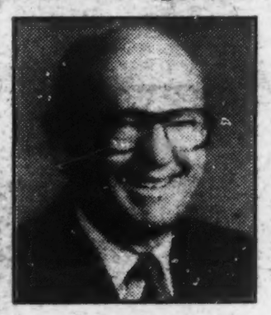

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Quote

It was not a slowdown. It came to a screeching halt.

John B. Sartain, a consultant to new banks, on the number of institutions born in 1985. [1]

Unquote

Thrifts Surge Ahead in Commercial Lending

Top 100 FSLIC-Insured Institutions Post 73% Growth Over One-Year Period; Industry as a Whole Is Up 60%

By L. MICHAEL CACACE

NEW YORK — Commercial lending increased 73% at the top 100 FSLIC-insured thrifts over the 12-month period ended Sept. 30, 1985, while commercial lending at all thrifts rose 60%.

The superior growth of the top 100 thrifts enabled them to increase their share of commercial lending by thrifts to 85.4% on Sept. 30, 1985, compared with an estimated 79.2% just 12 months earlier.

These are some of the findings of the *American Banker's* new survey of commercial lending by thrifts, published today.

The sizable growth in commercial lending by thrifts is attributable to two causes. First, most thrifts were not granted commercial lending powers until 1982, and thus growth rates are calculated from a very small base.

(The Garn-St Germain Depository Institutions Act of 1982 granted commercial lending powers to federal savings and loan institutions for the first

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Top Five Thrifts In Commercial Lending

Rank 9/85		Commercial Loans 9/85*
1	Old Stone Bank FSB	$698
2	California FS & LA	524
3	Goldome FSB	520
4	City FS & LA	380
5	Empire of America FSB	369

*—Dollar amounts in thousands.

S&L Executives Enthusiastic About Corporate Business

BY LISABETH WEINER

CHICAGO — "It's fun to compete against banks," was the way Dennis Pearsall put it. "At a recent meeting of thrifts in commercial lending, everybody was upbeat and feeling good about what's going on," added the executive vice president and director of lending at Great Lakes Federal Savings and Loan Association in Ann Arbor, Mich.

What's going on is a jump in lending to the corporate sector by the nation's thrifts. Commercial loans grew 73% at the top 100 thrifts in 1985.

Federally chartered thrifts gained the power to extend loans to corporate customers in 1982, and New York State granted that power to its savings institutions in 1981. This became a way

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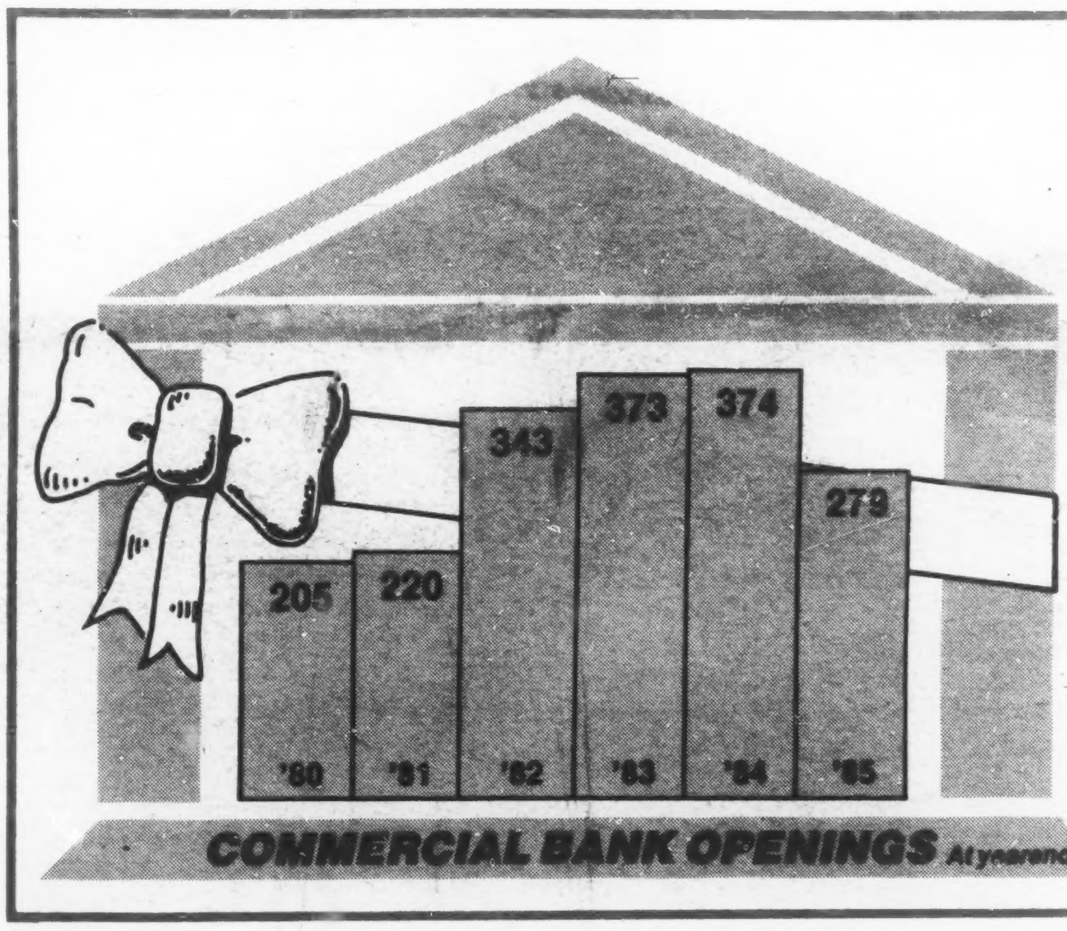

Bank Openings Down in 1985

By MARK BASCH

NEW YORK — A new policy in the Office of the Comptroller of the Currency that toughened the new bank application process slowed down the number of new bank openings in 1985.

Firms Opened in Second Half 1985, Page 28
New Dallas Bank Finds a Niche, Page 44

After rising each year of the 1980s, the pace of new bank openings in the United States dropped by about one-fourth in 1985 to 279, the lowest total since 1981.

Texas continued to have the largest number of new bank openings, with

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